Reprinted
February 26, 2014

ENGROSSED
HOUSE BILL No. 1075

DIGEST OF HB 1075 (Updated February 25, 2014 4:18 pm - DI 102)

Citations Affected: IC 4-3; IC 5-10; IC 5-10.2; IC 5-10.5.

Synopsis: Public pensions. Provides that the board of trustees (board) of the Indiana public retirement system may not, before July 1, 2019, enter into an agreement with a third party provider to provide annuities to retiring and retired members of the public employees' retirement fund (PERF) and the teachers' retirement fund (TRF). Requires the board to establish on October 1 and April 1 each year, beginning on October 1, 2014, the interest rate used to determine the annuity amount purchasable by a member of PERF or TRF who elects to receive an annuity using the member's annuity savings account, and provides that the interest rate is equal to the interest rate on 10 year United States Treasury notes on the immediately preceding September 1 or March 1, respectively, plus 1.5%. Provides that the interest rate established may not be less than 2% or more than 10%. Removes language terminating an annual pension paid to the surviving spouse of a governor if the surviving spouse remarries. Increases from 3% to 5% the maximum percentage of a state employee's base salary that may be deducted as an automatic contribution to the state's deferred compensation plan.

Effective: Upon passage; July 1, 2014.

Burton, Niezgodski, Moseley, Bacon

(SENATE SPONSORS — WALKER, TALLIAN, BECKER)

January 9, 2014, read first time and referred to Committee on Employment, Labor and Pensions.
January 14, 2014, amended, reported — Do Pass; recommitted to Committee on Ways and Means.
January 27, 2014, amended, reported — Do Pass.
January 29, 2014, read second time, amended, ordered engrossed.
January 30, 2014, engrossed. Read third time, passed. Yeas 83, nays 0.

SENATE ACTION

February 4, 2014, read first time and referred to Committee on Pensions and Labor.
February 20, 2014, amended, reported favorably — Do Pass.
February 25, 2014, read second time, amended, ordered engrossed.

Reprinted
February 26, 2014

Second Regular Session 118th General Assembly (2014)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type.~~

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~*this style type*~~ reconciles conflicts between statutes enacted by the 2013 Regular Session and 2013 First Regular Technical Session of the General Assembly.

ENGROSSED
HOUSE BILL No. 1075

A BILL FOR AN ACT to amend the Indiana Code concerning pensions.

Be it enacted by the General Assembly of the State of Indiana:

SECTION 1. IC 4-3-3-2 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 2. (a) The surviving spouse of each individual who:

(1) serves as governor; and

(2) is entitled to a retirement benefit under section 1.1 of this chapter;

is entitled to an annual pension.

(b) The pension to which a governor's surviving spouse is entitled under this section shall be paid in equal monthly installments by the treasurer of state on warrant of the auditor of state after a claim has been made for the pension to the auditor by:

(1) the surviving spouse; or

(2) a person acting on behalf of the surviving spouse.

(c) The annual pension to which a governor's surviving spouse is entitled under this section is equal to the following:

(1) For the surviving spouse of a governor who died before July

1, 1998, the greater of:

(A) the annual retirement benefit received by the surviving spouse during the year beginning July 1, 1998; or

(B) ten thousand dollars ($10,000).

(2) For the surviving spouse of a governor who dies after June 30, 1998, the greater of:

(A) fifty percent (50%) of the annual retirement benefit that the governor to whom the surviving spouse was married was receiving or was entitled to receive on the date of the governor's death; or

(B) ten thousand dollars ($10,000).

(d) The surviving spouse of a governor must make the election required under subsection (c)(1) or (c)(2). Once a surviving spouse has received any pension payment under this section, the election is irrevocable.

(e) A governor's surviving spouse is entitled to receive the pension provided under this section for life. ~~unless the surviving spouse remarries.~~

(f) Notwithstanding any other law to the contrary, the pension provided under this section is in addition to any other retirement benefits a governor's surviving spouse is entitled to receive.

SECTION 2. IC 5-10-1.1-3.5, AS AMENDED BY P.L.242-2013, SECTION 1, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2014]: Sec. 3.5. (a) This section applies to an individual who becomes an employee of the state after June 30, 2007.

(b) Unless an employee notifies the state that the employee does not want to enroll in the deferred compensation plan, on day thirty-one (31) of the employee's employment:

(1) the employee is automatically enrolled in the deferred compensation plan; and

(2) the state is authorized to begin deductions as otherwise allowed under this chapter.

(c) The auditor of state shall provide written notice to an employee of the provisions of this chapter. The notice provided under this subsection must:

(1) be provided:

(A) with the employee's first paycheck; and

(B) on paper that is a color that is separate and distinct from the color of the employee's paycheck;

(2) contain a statement concerning:

(A) the purposes of;

(B) procedures for notifying the state that the employee does

(C) the tax consequences of; and
(D) the details of the state match for employee contribution to;
the deferred compensation plan; and
(3) list the telephone number, electronic mail address, and other contact information for the auditor of state, who serves as plan administrator.

(d) This subsection applies to contributions made before July 1, 2011. Notwithstanding IC 22-2-6, except as provided by subsection (h), the state shall deduct from an employee's compensation as a contribution to the deferred compensation plan established by the state under this chapter an amount equal to the maximum amount of any match provided by the state on behalf of the employee to a defined contribution plan established under section 1.5(a) of this chapter.

(e) This subsection applies to contributions made after June 30, 2011, and before July 1, 2013. Notwithstanding IC 22-2-6 and except as provided by subsection (h), during the first year an employee is enrolled under subsection (b) in the deferred compensation plan, the state shall deduct each pay period from the employee's compensation as a contribution to the deferred compensation plan an amount equal to the greater of the following:

(1) The maximum amount of any match provided by the state on behalf of the employee to a defined contribution plan established under section 1.5(a) of this chapter.
(2) One-half percent (0.5%) of the employee's base salary.

(f) This subsection applies to contributions made after June 30, 2013. Notwithstanding IC 22-2-6 and except as provided by subsection (h), during the first year an employee is enrolled under subsection (b) in the deferred compensation plan, the state shall deduct each pay period from the employee's compensation as a contribution to the deferred compensation plan an amount equal to the greater of the following:

(1) The maximum amount of any match provided by the state on behalf of the employee to a defined contribution plan established under section 1.5(a) of this chapter.
(2) Two percent (2%) of the employee's base salary.

(g) This subsection applies to a year:

(1) after the first year in which an employee is enrolled in the deferred compensation plan; and
(2) in which the employee does not affirmatively choose a contribution amount under subsection (h).

The percentage of the employee's base salary used for the year in subsection (e)(2) or (f)(2) to determine the employee's contribution increases by one-half percent (0.5%) from the percentage determined in the immediately preceding year. The maximum percentage of an employee's base salary that may be deducted under this subsection is ~~three~~ **five** percent ~~(3%).~~ **(5%).** The contribution increase occurs on the anniversary date of the employee's enrollment in the deferred compensation plan.

(h) An employee may contribute to the deferred compensation plan established by the state under this chapter an amount other than the amount described in subsections (d) through (g) by affirmatively choosing to contribute:

(1) a higher amount;
(2) a lower amount; or
(3) zero (0).

SECTION 3. IC 5-10.2-4-4, AS AMENDED BY P.L.115-2008, SECTION 12, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 4. (a) The computation of benefits under this section is subject to IC 5-10.2-2-1.5.

(b) For retirement benefits payable on and after July 1, 1975, for a member retired on and after January 1, 1956, the pension (p) is computed as follows:

STEP ONE: Multiply one and one-tenths percent (1.1%) times the average of the annual compensation (aac) and obtain a product.
STEP TWO: To obtain the pension, multiply the STEP ONE product by the total creditable service (scr) completed by the member on the member's retirement date.
Expressed mathematically:
p = (.011) times (aac) times (scr)

(c) Unless the member:

(1) has chosen a lump sum payment under section 2(b) of this chapter;
(2) has elected to withdraw the entire amount in the member's annuity savings account under IC 5-10.2-3-6.5; or
(3) elects to defer receiving in any form the member's annuity savings account under section 2(c) of this chapter;

the annuity is the amount purchasable on the member's retirement date by the amount credited to the member in the annuity savings account. The amount purchasable is based on actuarial tables adopted by the board under IC 5-10.2-2-10 at an interest rate determined by the board **under IC 5-10.5-4-2.6.**

SECTION 4. IC 5-10.5-4-2.5 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS

[EFFECTIVE UPON PASSAGE]: **Sec. 2.5. Notwithstanding any other provision in this article, IC 5-10.2, IC 5-10.3, or IC 5-10.4, the board may not, before July 1, 2019, enter into an agreement with a third party provider to provide annuities for retiring members of:**

(1) the public employees' retirement fund; or

(2) the teachers' retirement fund.

SECTION 5. IC 5-10.5-4-2.6 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: **Sec. 2.6. (a) The board shall establish on April 1 and October 1 each year, beginning on October 1, 2014, the interest rate used to determine the annuity amount purchasable by a member of:**

(1) the public employees' retirement fund; or

(2) the teachers' retirement fund;

who elects to receive, as part of the member's retirement or disability benefit, an annuity provided by the amount credited to the member in the member's annuity savings account.

(b) Subject to subsection (c), the interest rate established under subsection (a) is equal to the following, plus one and one-half percent (1.5%):

(1) For the interest rate established on October 1, the interest rate on ten (10) year United States Treasury notes on the immediately preceding September 1.

(2) For the interest rate established on April 1, the interest rate on ten (10) year United States Treasury notes on the immediately preceding March 1.

(c) The interest rate established under subsection (a) may not be:

(1) less than two percent (2%); or

(2) more than ten percent (10%).

SECTION 6. **An emergency is declared for this act.**

COMMITTEE REPORT

Mr. Speaker: Your Committee on Employment, Labor and Pensions, to which was referred House Bill 1075, has had the same under consideration and begs leave to report the same back to the House with the recommendation that said bill be amended as follows:

Between the enacting clause and line 1, begin a new paragraph and insert:

"SECTION 1. IC 5-10.2-4-4, AS AMENDED BY P.L.115-2008, SECTION 12, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 4. (a) The computation of benefits under this section is subject to IC 5-10.2-2-1.5.

(b) For retirement benefits payable on and after July 1, 1975, for a member retired on and after January 1, 1956, the pension (p) is computed as follows:

STEP ONE: Multiply one and one-tenths percent (1.1%) times the average of the annual compensation (aac) and obtain a product.

STEP TWO: To obtain the pension, multiply the STEP ONE product by the total creditable service (scr) completed by the member on the member's retirement date.

Expressed mathematically:

p = (.011) times (aac) times (scr)

(c) Unless the member:

(1) has chosen a lump sum payment under section 2(b) of this chapter;

(2) has elected to withdraw the entire amount in the member's annuity savings account under IC 5-10.2-3-6.5; or

(3) elects to defer receiving in any form the member's annuity savings account under section 2(c) of this chapter;

the annuity is the amount purchasable on the member's retirement date by the amount credited to the member in the annuity savings account. The amount purchasable is based on actuarial tables adopted by the board under IC 5-10.2-2-10 at an interest rate determined by the board **under IC 5-10.5-4-2.6.**".

Page 1, between lines 9 and 10, begin a new paragraph and insert:

"SECTION 3. IC 5-10.5-4-2.6 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: **Sec. 2.6. (a) The board shall establish not later than July 1 each year the interest rate used to determine the annuity amount purchasable by a member of:**

(1) the public employees' retirement fund; or

(2) the teachers' retirement fund;

who elects to receive, as part of the member's retirement or disability benefit, an annuity provided by the amount credited to the member in the member's annuity savings account. The interest rate applies for the year beginning July 1, beginning July 1, 2014.

(b) The interest rate established under subsection (a) must equal at least the rate of return earned by the retirement allowance accounts of the public employees' retirement fund and the teachers' retirement fund for the twelve (12) months immediately preceding July 1.".

Renumber all SECTIONS consecutively.

and when so amended that said bill do pass.

(Reference is to HB 1075 as introduced.)

GUTWEIN, Chair

Committee Vote: yeas 13, nays 0.

COMMITTEE REPORT

Mr. Speaker: Your Committee on Ways and Means, to which was referred House Bill 1075, has had the same under consideration and begs leave to report the same back to the House with the recommendation that said bill be amended as follows:

Page 2, delete lines 31 through 35, begin a new paragraph and insert:

"**(b) The interest rate established under subsection (a) may not be less than the rate determined in STEP THREE of the following formula:**

STEP ONE: Determine the greater of:

(A) zero (0); or

(B) the rate of return earned by the retirement allowance accounts of the public employees' retirement fund and the teachers' retirement fund for the three (3) months immediately preceding July 1.

STEP TWO: Determine the sum of:

(A) the STEP ONE result; plus

(B) the average daily interest rate on ten (10) year United States Treasury bills for the three (3) months immediately preceding July 1.

STEP THREE: Determine the product of:

(A) the STEP TWO result; multiplied by
(B) sixty-six hundredths (0.66).".

and when so amended that said bill do pass.

(Reference is to HB 1075 as printed January 14, 2014.)

BROWN T, Chair

Committee Vote: yeas 15, nays 5.

HOUSE MOTION

Mr. Speaker: I move that House Bill 1075 be amended to read as follows:

Page 2, line 23, delete "July 1" and insert "**October 1, 2014, for the first year, and not later than April 1, for**".

Page 2, line 23, after "year" insert "**thereafter, beginning April 1, 2015,**".

Page 2, line 29, delete "The interest".

Page 2, delete line 30.

Page 2, line 36, after "(B) the" insert "**average of the**".

Page 2, line 38, delete "three (3) months" and insert "**ten (10) calendar years**".

Page 2, line 39, delete "July 1." and insert "**:**

(i) October 1, 2014, for the first year; and
(ii) April 1, for each year thereafter.".

Page 3, line 2, delete "July 1." and insert "**:**

(i) October 1, 2014, for the first year; and
(ii) April 1, for each year thereafter.".

(Reference is to HB 1075 as printed January 27, 2014.)

BROWN T

HOUSE MOTION

Mr. Speaker: I move that House Bill 1075 be amended to read as follows:

Page 2, line 42, after "average" insert "**nominal**".

Page 3, line 1, delete "bills" and insert "**notes**".

(Reference is to HB 1075 as printed January 27, 2014.)

PORTER

COMMITTEE REPORT

Madam President: The Senate Committee on Pensions and Labor, to which was referred House Bill No. 1075, has had the same under consideration and begs leave to report the same back to the Senate with the recommendation that said bill be AMENDED as follows:

Page 2, between lines 10 and 11, begin a new paragraph and insert:

"SECTION 2. IC 5-10.5-4-1, AS ADDED BY P.L.177-2011, SECTION 1, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 1. The board shall do all of the following:

(1) Appoint and fix the salary of a director.

(2) Employ or contract with employees, auditors, technical experts, legal counsel, and other service providers as the board considers necessary to transact the business of the fund without the approval of any state officer, and fix the compensation of those persons.

(3) Establish a general office in Indianapolis for board meetings and for administrative personnel.

(4) Provide for the installation in the general office of a complete system of:

(A) books;

(B) accounts, including reserve accounts; and

(C) records;

to give effect to all the requirements of this article and to ensure the proper operation of the fund.

(5) Provide for a report at least annually to each member of the amount credited to the member in the annuity savings account in each investment program under IC 5-10.2-2.

(6) With the advice of the actuary, adopt actuarial tables and compile data needed for actuarial studies that are necessary for the fund's operation.

(7) Act on applications for benefits and claims of error filed by members.

(8) Provide to retiring and retired members the option of converting the amount credited to the member's annuity savings account into an annuity that is administered and managed by the fund's employees.

~~(8)~~ **(9)** Have the accounts of the fund audited annually by the state board of accounts, and if the board determines that it is advisable, have the operation of a public pension or retirement fund of the system audited by a certified public accountant.

~~(9)~~ **(10)** Publish for the members a synopsis of the fund's condition.

~~(10)~~ **(11)** Adopt a budget on a calendar year or fiscal year basis that is sufficient, as determined by the board, to perform the board's duties and, as appropriate and reasonable, draw upon fund assets to fund the budget.

~~(11)~~ **(12)** Expend money, including income from the fund's investments, for effectuating the fund's purposes.

~~(12)~~ **(13)** Establish personnel programs and policies for the employees of the system.

~~(13)~~ **(14)** Submit a financial report before November 1 each year to the governor, the pension management oversight commission, and the budget committee. The report under this subdivision must set forth a complete operating and financial statement covering its operations during the most recent fiscal year, and include any other information requested by the chair of the pension management oversight commission. The report must be submitted to the pension management oversight commission in an electronic format pursuant to IC 5-14-6.

~~(14)~~ **(15)** Provide the necessary forms for administering the fund.

~~(15)~~ **(16)** Submit to the auditor of state or the treasurer of state vouchers or reports necessary to claim an amount due from the state to the system.

SECTION 3. IC 5-10.5-4-2, AS ADDED BY P.L.23-2011, SECTION 22, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 2. (a) The board may do any of the following:

(1) Establish and amend rules and regulations:

(A) for the administration and regulation of the fund and the board's affairs; and

(B) to effectuate the powers and purposes of the board;

without adopting a rule under IC 4-22-2.

(2) Make contracts and sue and be sued as the board of trustees of

the Indiana public retirement system.
(3) Delegate duties to its employees.
(4) Enter into agreements with one (1) or more insurance companies to provide life, hospitalization, surgical, medical, dental, vision, long term care, or supplemental Medicare insurance, utilizing individual or group insurance policies for retired members of the fund, and, upon authorization of the respective member, deduct premium payments for such policies from the members' retirement benefits and remit the payments to the insurance companies.
~~(5) Enter into agreements with one (1) or more insurance companies to provide annuities for retired members of the fund, and, upon a member's authorization, transfer the amount credited to the member in the annuity savings account to the insurance companies.~~
~~(6)~~ **(5)** For the 1977 police officers' and firefighters' pension and disability fund, deduct from benefits paid and remit to the appropriate entities amounts authorized by IC 36-8-8-17.2.
~~(7)~~ **(6)** Whenever the fund's membership is sufficiently large for actuarial valuation, establish an employer's contribution rate for all employers, including employers with special benefit provisions for certain employees.
~~(8)~~ **(7)** Amortize prior service liability over a period of forty (40) years or less.
~~(9)~~ **(8)** Recover payments made under false or fraudulent representation.
~~(10)~~ **(9)** Give bond for an employee for the fund's protection.
~~(11)~~ **(10)** Receive the state's share of the cost of the pension contribution from the federal government for a member on leave of absence in order to work in a federally supported educational project.
~~(12)~~ **(11)** Summon and examine witnesses when adjusting claims.
~~(13)~~ **(12)** When adjusting disability claims, require medical examinations by doctors approved or appointed by the board. Not more than two (2) examinations may be conducted in one (1) year.
~~(14)~~ **(13)** Conduct investigations to help determine the merit of a claim.
~~(15)~~ **(14)** Meet an emergency that may arise in the administration of the board's trust.
~~(16)~~ **(15)** Determine other matters regarding the board's trust that are not specified.

~~(17)~~ **(16)** Exercise all powers necessary, convenient, or appropriate to carry out and effectuate its public and corporate purposes and to conduct its business.

(b) This subsection does not apply to investments of the board. A contract under subsection (a)(2) may be for a term of not more than five (5) years, with an ability to renew thereafter.

(c) An agreement under subsection (a)(4) may be for a duration of three (3) years.".

Page 2, line 15, after "not" delete ", before October 1, 2019,".

Page 2, line 23, delete "not later than October 1, 2014, for the first year, and not".

Page 2, delete line 24.

Page 2, line 25, delete "2015," and insert "**on April 1 and October 1 each year, beginning on October 1, 2014,**".

Page 2, run in lines 23 through 25.

Page 2, line 32, delete "may not be" and insert "**is equal to the current interest rate on ten (10) year United States Treasury notes plus one and one-half percent (1.5%).**".

Page 2, delete lines 33 through 42.

Page 3, delete lines 1 through 10.

Renumber all SECTIONS consecutively.

and when so amended that said bill do pass.

(Reference is to HB 1075 as reprinted January 30, 2014.)

BOOTS, Chairperson

Committee Vote: Yeas 9, Nays 0.

SENATE MOTION

Madam President: I move that Engrossed House Bill 1075 be amended to read as follows:

Page 2, delete lines 11 through 42.

Delete pages 3 through 4.

Page 5, line 5, after "not" insert "**, before July 1, 2019,**".

Page 5, line 5, delete "third-party" and insert "**third party**".

Renumber all SECTIONS consecutively.

(Reference is to EHB 1075 as printed February 21, 2014.)

KENLEY

SENATE MOTION

Madam President: I move that Engrossed House Bill 1075 be amended to read as follows:

Page 5, line 20, delete "The" and insert "**Subject to subsection (c), the**".

Page 5, line 21, delete "current interest rate on ten (10) year United States Treasury".

Page 5, line 22, delete "notes" and insert "**following,**".

Page 5, line 22, after "(1.5%)" delete "." and insert "**:**

(1) For the interest rate established on October 1, the interest rate on ten (10) year United States Treasury notes on the immediately preceding September 1.

(2) For the interest rate established on April 1, the interest rate on ten (10) year United States Treasury notes on the immediately preceding March 1.

(c) The interest rate established under subsection (a) may not be:

(1) less than two percent (2%); or

(2) more than ten percent (10%).".

(Reference is to EHB 1075 as printed February 21, 2014.)

BOOTS

SENATE MOTION

Madam President: I move that Engrossed House Bill 1075 be amended to read as follows:

Page 1, between the enacting clause and line 1, begin a new paragraph and insert:

"SECTION 1. IC 4-3-3-2 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 2. (a) The surviving spouse of each individual who:

(1) serves as governor; and

(2) is entitled to a retirement benefit under section 1.1 of this chapter;

is entitled to an annual pension.

(b) The pension to which a governor's surviving spouse is entitled under this section shall be paid in equal monthly installments by the treasurer of state on warrant of the auditor of state after a claim has been made for the pension to the auditor by:

(1) the surviving spouse; or

(2) a person acting on behalf of the surviving spouse.

(c) The annual pension to which a governor's surviving spouse is entitled under this section is equal to the following:

(1) For the surviving spouse of a governor who died before July 1, 1998, the greater of:

(A) the annual retirement benefit received by the surviving spouse during the year beginning July 1, 1998; or

(B) ten thousand dollars ($10,000).

(2) For the surviving spouse of a governor who dies after June 30, 1998, the greater of:

(A) fifty percent (50%) of the annual retirement benefit that the governor to whom the surviving spouse was married was receiving or was entitled to receive on the date of the governor's death; or

(B) ten thousand dollars ($10,000).

(d) The surviving spouse of a governor must make the election required under subsection (c)(1) or (c)(2). Once a surviving spouse has received any pension payment under this section, the election is irrevocable.

(e) A governor's surviving spouse is entitled to receive the pension provided under this section for life. ~~unless the surviving spouse remarries.~~

(f) Notwithstanding any other law to the contrary, the pension provided under this section is in addition to any other retirement benefits a governor's surviving spouse is entitled to receive.

SECTION 2. IC 5-10-1.1-3.5, AS AMENDED BY P.L.242-2013, SECTION 1, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2014]: Sec. 3.5. (a) This section applies to an individual who becomes an employee of the state after June 30, 2007.

(b) Unless an employee notifies the state that the employee does not want to enroll in the deferred compensation plan, on day thirty-one (31) of the employee's employment:

(1) the employee is automatically enrolled in the deferred compensation plan; and

(2) the state is authorized to begin deductions as otherwise allowed under this chapter.

(c) The auditor of state shall provide written notice to an employee of the provisions of this chapter. The notice provided under this subsection must:

(1) be provided:

(A) with the employee's first paycheck; and

(B) on paper that is a color that is separate and distinct from the color of the employee's paycheck;

(2) contain a statement concerning:

(A) the purposes of;

(B) procedures for notifying the state that the employee does not want to enroll in;

(C) the tax consequences of; and

(D) the details of the state match for employee contribution to;

the deferred compensation plan; and

(3) list the telephone number, electronic mail address, and other contact information for the auditor of state, who serves as plan administrator.

(d) This subsection applies to contributions made before July 1, 2011. Notwithstanding IC 22-2-6, except as provided by subsection (h), the state shall deduct from an employee's compensation as a contribution to the deferred compensation plan established by the state under this chapter an amount equal to the maximum amount of any match provided by the state on behalf of the employee to a defined contribution plan established under section 1.5(a) of this chapter.

(e) This subsection applies to contributions made after June 30, 2011, and before July 1, 2013. Notwithstanding IC 22-2-6 and except as provided by subsection (h), during the first year an employee is enrolled under subsection (b) in the deferred compensation plan, the state shall deduct each pay period from the employee's compensation as a contribution to the deferred compensation plan an amount equal to the greater of the following:

(1) The maximum amount of any match provided by the state on behalf of the employee to a defined contribution plan established under section 1.5(a) of this chapter.

(2) One-half percent (0.5%) of the employee's base salary.

(f) This subsection applies to contributions made after June 30, 2013. Notwithstanding IC 22-2-6 and except as provided by subsection (h), during the first year an employee is enrolled under subsection (b) in the deferred compensation plan, the state shall deduct each pay period from the employee's compensation as a contribution to the deferred compensation plan an amount equal to the greater of the following:

(1) The maximum amount of any match provided by the state on behalf of the employee to a defined contribution plan established under section 1.5(a) of this chapter.

(2) Two percent (2%) of the employee's base salary.

(g) This subsection applies to a year:

(1) after the first year in which an employee is enrolled in the deferred compensation plan; and

(2) in which the employee does not affirmatively choose a contribution amount under subsection (h).

The percentage of the employee's base salary used for the year in subsection (e)(2) or (f)(2) to determine the employee's contribution increases by one-half percent (0.5%) from the percentage determined in the immediately preceding year. The maximum percentage of an employee's base salary that may be deducted under this subsection is ~~three~~ **five** percent ~~(3%).~~ **(5%).** The contribution increase occurs on the anniversary date of the employee's enrollment in the deferred compensation plan.

(h) An employee may contribute to the deferred compensation plan established by the state under this chapter an amount other than the amount described in subsections (d) through (g) by affirmatively choosing to contribute:

(1) a higher amount;

(2) a lower amount; or

(3) zero (0).".

Renumber all SECTIONS consecutively.

(Reference is to EHB 1075 as printed February 21, 2014.)

WALKER